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INFORMED BUDGETEER

CONGRESS' RESPONSIBLE BUDGET

- To listen to Administration officials, one would think that the Congressional budget resolution was the greatest threat ever posed to fiscal soundness. In fact, CBO's latest analysis shows that Congress actually saves more of the projected surpluses over the next 10 years than the President.

> **WARNING:** Baselines may be hazardous to your fiscal health. The CBO analysis assumes a future in which discretionary spending is fixed at the statutory caps for 2000-2002 and thengrows by the rate of inflation after 2002. The discussion that follows uses this baseline as a basis of comparison. However, alternative baselines - - such as the one used to develop this year's Congressional budget - - start with a freeze on discretionary spending after 2002. The comparison of budget plans will vary depending on which baseline is used.

- The President saves 67 percent of the projected surpluses, but Congress saves 75 percent. As a consequence, publicly held debt is $200 billion lower in 2009 under Congress' plan. (It also indicates that the President's plan delivers more fiscal stimulus than Congress'.) The following table shows how the President and Congress allocate the projected surpluses:

Proposed Uses of Projected Surpluses Through 20009
President vs. Congress, ($ in Billions)

	President's Revised Budget	H. Con. Res. 68
Total Surplus	**2,896**	**2,896**
Tax cuts(+)/increase (-)	-95	778
Outlays		
Discretionary	501	-180
Mandatory	351	4
Net Interest	180	117
Pay down debt	1,959	2,178

SOURCE: CBO July 1999, Inflation assumed in baseline.

- Both save the Social Security surplus over the 10 years. However, it should be noted that the President still raids Social Security's funds in 2000, 2004 and 2005 to fund his spending initiatives. He makes up the difference in later years. Perhaps this explains the President's reluctance to agree to the Congressional lock-box for Social Security – he knows that he would violate it in the very first year of its operation.

- The main difference between the President and Congress arises in how they deal with the on-budget surpluses. The President elects to increase spending by more than $1 trillion -- this includes Universal Savings Accounts since CBO expects them to have only outlay effects. He offsets the cost in small part with nearly $100 billion in net tax increases. He uses only $54 billion of the on-budget surplus for debt reduction, not the $323 billion he claimed to do in the name of Medicare solvency transfers.

- Congress has a different way of divvying up the on-budget surplus. We elect to provide tax relief of $778 billion and to use $ 277 billion for debt reduction and Medicare reforms.

- **Thus, the current debate really boils down to this – $1 trillion in new spending or $778 billion in tax relief.**

- In their apparent effort to camouflage this fact, the Administration has resorted to 15 and 20 year numbers to allege Congressional recklessness.

- It is absurd to attempt to present these numbers as absolutes. We have enough difficulties in projecting out one or two years of budget numbers. CBO will not issue 15 and 20 year numbers given the enormous prospects for error.

- What matters most is what someone plans to do today, a horizon over which we actually have control. Yet, since the President spends more of the surplus near-term, however, he has no choice but to widen the horizon beyond the period where CBO can evaluate his claims.

- To sum up, CBO's analysis shows that both the President and Congress should be lauded for saving the Social Security surplus over a 10 year period. The debate then centers on how to allocate the on-budget surplus – do you want the President's $1 trillion in new spending or $778 billion in Congressional tax relief?

THE PRESIDENT'S IRRESPONSIBLE SOCIAL SECURITY "PLAN" $100 TRILLION PLUS IN NEW GOVERNMENT DEBT

- The President does not speak much anymore of his Social Security ideas, perhaps because they were so heavily criticized when he first announced them in January.

- In fact, the President modified his Social Security proposal in the Mid-Session Review, without a great deal of public commentary. If anything, his modifications make his proposal even more unsound.

- The President delayed all new general fund transfers to 2011 so that they would appear outside the 10-year budget window. If enacted, these transfers would still be a radical departure from 60 years of financing Social Security.

- Social Security has always been a self-financed program, relying entirely on payroll tax contributions from workers. The President's proposal would make Social Security more like other welfare programs that are financed from general revenues.

- **Rough estimates indicate that these transfers will total well over $100 trillion over the next 75 years, with every dollar counting as a new debt obligation of the federal government.**

- The President also continues to propose getting the federal government involved in buying and selling shares in America's companies on behalf of Social Security.

- Fed Chairman Alan Greenspan and many others have made it clear that this is a dangerous idea that threatens our free market economic system.

CBO ESTIMATE OF PRESIDENT'S MEDICARE PLAN

- CBO estimates the President's Medicare plan will increase federal spending by $111 billion over ten years, or $65 billion more than the Administration estimate.

The President's Medicare Proposal
($ in Billions)

	2000-2004	2000-2009
Prescription drug benefit	66.6	298.7
Prescription drug premiums	-29.5	-121.5
Net cost, Prescription drugs	**37.2**	**168.2**
Fee for service provider payments	-0.3	-28.3
Fee for service management	-1.2	-3.5
payments	-0.9	-5.3
Beneficiary cost sharing	-0.4	-8.9
Medicare+Choice payment reforms	-0.9	-11.1
Interactions	**33.5**	**111.1**
TOTAL		

SOURCE: CBO Estimates

- By 2009, beneficiaries electing to enroll in the new prescription drug benefit will pay a premium of $55.50 per month, or $666 per year. This premium would be in addition to the part B premium of $1186 in 2009.

- Under the President's plan, Medicare beneficiaries would remain uninsured for high prescription drug costs because the benefit is front-loaded. Beneficiaries would get coverage for the first $2000 in drug costs in 2000, but would not be covered for costs above that cap.

- CBO calculates that 36 percent of beneficiaries would have drug costs exceeding the cap in 2002.

- The President's plan continues to call for transferring $328 billion over ten years in general fund revenue to the Medicare trust fund to make it more solvent. The President claims that these transfers are related to the on-budget surpluses.

- According to CBO, the President's Mid-Session Review has only a $54 billion on-budget surplus over ten years. **Therefore, using the President's logic, his transfers to Medicare of $328 billion over ten years would raid Social Security for $274 billion.**

PROCEDURES FOR CONSIDERING TAX RECONCILIATION

- Senate consideration of the tax reconciliation bill reported by the Finance Committee will be governed by the FY 2000 Budget Resolution (H. Con. Res. 68) and the procedures set out in sections 305 and 310 of the Congressional Budget Act of 1974.

- Because the Budget Resolution contained instructions to only one committee in the Senate, the bill will not be reported out of the Budget Committee but rather will go straight onto the Senate Calendar from the Finance Committee. The bill is privileged for consideration.

- However because the bill is accompanied by a committee report, it is not in order to proceed to the bill until the report has been available for 48 hours. The motion to proceed to the bill is NOT debatable.

- Under the Budget Act, there will be 20 hours available for debate on the bill. Note that this is not an overall limit on consideration. Thus amendments may be offered and motions made after the expiration of 20 hours. Such amendments and motions will be disposed of without debate unless unanimous consent is obtained.

- During the 20 hours, 1st degree amendments are debatable for 2 hours and 2nd degree amendments and debatable motions and appeals are debatable for 1 hour. All time limitations are equally divided and controlled by the Majority Leader and the Democrat Leader or their designees.

- As is the case with all legislation considered in the Senate, the tax reconciliation bill and any amendments offered thereto must conform with the parameters of the Budget Resolution and the section 306 prohibition regarding matters within the jurisdiction of the Budget Committee.

- That means that the bill and any amendments must comply with the reconciliation instructions (all 3 time periods), and the revenue aggregate. If not, they will be subject to Budget Act points of order (section 311 with respect to the aggregates).

- The Budget Resolution was constructed such that the aggregates and the Senate pay-go scorecard would accommodate a tax cut bill that complies with the reconciliation instructions.

- Because this is a *reconciliation bill*, the legislation (and any amendments thereto and the conference report) must also conform to : (i) the **germaneness** requirement found in section 305(b) **-** although this applies to amendments only, (ii) the prohibition regarding changes to **Social Security** found in section 310(g), and (iii) the **Byrd Rule**.

- Savvy budgeteers will remember that the Byrd Rule is found at section 313 of the Budget Act and prohibits the inclusion of "extraneous matter" in reconciliation legislation. Unlike other points of order in the Senate, the Byrd Rule applies to "provisions" and as such may be used to extract language from within the bill and the conference report.

- All of these points of order require the affirmative vote of 60 Senators in order to prevail on a motion to waive or to appeal a from the ruling of the Chair.

- Because this is a revenue bill, the vehicle in conference must be a House revenue bill. Otherwise there is the potential of a "blue slip" from the House. "Blue slip" is the term used to describe the situation where a simple House resolution accompanies a message from the House of Representatives regarding a Senate-passed bill. In such cases, the House declines to consider that particular measure on the grounds that it infringes upon the House's constitutional prerogative to originate all revenue legislation (Article I, Section 7).

- The Budget Act does not specifically address the amount of time which may be spent on the various motions required to get a reconciliation bill to conference and the appointment of conferees.

- The Senate Parliamentarian has advised, however, that since the Act envisions limited debate on reconciliation, a limit of 10 hours for disposing of the motions would be appropriate. Nonetheless, in the past these motions and the naming of conferees have generally been disposed of by unanimous consent without debate.

BUDGET QUIZ

- A special quiz in honor of the 25th Anniversary of the Congressional Budget Act. The *Bulletin* discussed the anniversary in a previous edition and will continue to highlight the Act in upcoming issues.

Question: Who are the 8 current members who voted for the Congressional Budget Act? And which 2 current members voted against it?

Answer: Voting yea: Biden, Byrd, Domenici, Helms, Hollings, Kennedy, Roth, and Thurmond. Voting nay: Inouye and Stevens.